

The **European Travel Commission** (ETC) has just published its first quarterly report on European Tourism in 2011 - Trends & Prospects. The following gives a brief overview of the report for the first quarter of 2011.



- Destination and industry data indicate a positive start to 2011. Foreign visitor arrivals were reported higher through the beginning months of the year by most destinations.
- Both airline and hotel industry data confirm the continuation of travel growth to Europe, however at a more measured pace than experienced during the peak growth periods of 2010.

- International passenger traffic to Europe outpaced global growth over the first two months of the year. European airlines also report growth in traffic over the first 14 weeks of 2011, but growth has slowed over recent weeks.
- Hotel occupancy has improved further, but appears to have peaked. Average Daily Rates continue to push up across Europe in response to demand.
- We expect the overall growth trend to slow in 2011 as comparisons are made to stronger performance in 2010 and high energy prices affect both disposable income and transportation costs.
- Wage spiral inflation is unlikely in the developed economies as unemployment and spare capacity persist. Capacity utilisation is higher in emerging markets where food and energy prices are also having a bigger impact, thus more monetary tightening is expected.
- The aftermath of the Tohoku earthquake will affect the Japanese economy and consequently outbound travel considerably in the short run. Japan is likely to briefly re-enter recession in 2011 with a 10% drop in outbound travel. A considerable rebound is expected on both fronts in 2012.
- Capacity of European airlines continues to expand, carrying on the trend from late 2010. Capacity surged between late 2010 and early 2011, averaging a 7.8% increase in Available Seat Kilometres (ASK) over the first 14 weeks of 2011. This should translate into competitive fares and act as a driver to travel demand over the next 6-8 months.

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